IN THE

Supreme Court of the United States

Nos. 767 and 768.
OCTOBER TERM, 1935.

DUPLATE CORPORATION and PITTSBURGH PLATE GLASS COMPANY,

Petitioners,

v.

TRIPLEX SAFETY GLASS COMPANY OF NORTH AMERICA,

Respondent.

RESPONDENT'S BRIEF ON PETITION FOR WRITS OF CERTIORARI.

AMBROSE L. O'SHEA,
WILLIAM B. GREELEY,
DRURY W. COOPER,
Counsel for Respondent.

150 Broadway,
New York, N. Y.

INDEX.

	PAGE
CORRECTION OF PETITION	1
ARGUMENT	2
I. Cost of Defective Product	3
II. Cost of Thin Plate Glass	8
II-A. Apportionment of Profits	11
III. Method of Stating Account	15
IV. General Damages	18
V. Interest	22
CONCLUSION	23

TABLE OF CASES.

Alliance Securities Co. v. *De Vilbliss Mfg. Co.*, 76 F. (2d) 503	21
Armstrong v. *Belding Bros. & Co.*, 297 Fed. 728	9, 10
Bates v. *Dresser*, 251 U. S. 524	22
Bemis Car Co. v. *J. G. Brill*, 200 Fed. 749	19
Callaghan v. *Myers*, 128 U. S. 617	4, 8, 15, 16
Carborundum Co. v. *Electric Smelting Co.*, 203 Fed. 976	13
Cincinnati Car Co. v. *N. Y. Rapid Transit Corp.*, 66 F. (2d) 592	14, 20
Cincinnati Car Co. v. *N. Y. Rapid Transit Corp.*, 35 F. (2d) 679	14

PAGE

Computing Scale Co. v. *Toledo Computing Scale Co.*, 279 Fed. 648 13
Conroy v. *Penn. Electrical Mfg. Co.*, 199 Fed. 427 .. 9, 13
Continuous Glass Press Co. v. *Schmertz Wire Glass Co.*, 219 Fed. 199 .....7, 8, 18
Crosby Steam Gage & Valve Co. v. *Consolidated Safety Valve Co.*, 141 U. S. 441 .....3, 4, 12, 15, 16, 18

Dowagiac Mfg. Co., v. *Minnesota*, 235 U. S. 641 19

Electrical Engineers Equip. Co. v. *Champion Switch Co.*, 49 Fed. (2d) 359 15
Enterprise Ry. Equipment Co. v. *Wine Ry. Appliance Co.*, 77 F. (2d) 159 21

Forsyth v. *Hammond*, 166 U. S. 506 2

L. P. Larson Jr. Co. v. *Wm. Wrigley, Jr. Co.*, 20 F. (2d) 830 7
Levin Bros. v. *Davis Mfg. Co.*, 72 F. (2d) 163 ..... 6, 9

MacBeth Evans Glass Co. v. *L. E. Smith Glass Co.*, 23 F. (2d) 459 .....7, 17, 18
MacBeth Evans Glass Co. v. *L. E. Smith Glass Co.*, 21 F. (2d) 553, 555 18
Manufacturing Co. v. *Cowing*, 105 U. S. 253 12
McKee Glass Co. v. *H. C. Fry Glass Co.*, 248 Fed. 125 4, 15
Merrell Soule Co. v. *Powdered Milk Co.*, 7 F. (2d) 297 22
Miller v. *Robertson*, 266 U. S. 243 22

Oil Well Improvements Co. v. *Acme Foundry & Mach. Co.*, 31 F. (2d) 898..... 5, 7
Overman Cushion Tire Co. v. *Goodyear Tire & Rubber Co.*, 66 F. (2d) 361 21

Permutit v. *Refinite Co.*, 27 F. (2d) 695 .....4, 5, 15

Starr Piano Co. v. *Auto-Pneumatic Action Co.*, 12 F. (2d) 586 22

PAGE

Stromberg Motor Devices Co. v. *Zenith Detroit Co.*, 73 F. (2d) 62 ..... 5, 13
Stromberg Motor Devices Co. v. *Detroit Trust Co.*, 44 F. (2d) 958 ..... 6, 13

Triplex Safety Glass Company of North America v. *Duplate Corporation, et al.*, 42 F. (2d) 739..... 12
Triplex Safety Glass Company of North America v. *Duplate Corporation, et al.*, 42 F. (2d) 737..... 12

Union Elec. Welding Co. v. *Curry*, 279 Fed. 465 7
U. S. Frumentum Co. v. *Lauhoff*, 216 Fed. 610 19

Wales v. *Waterbury*, 101 Fed. 126 13
Wallace & Tiernan Co. v. *Syracuse*, 45 F. (2d) 693 ..6, 20, 21
Western Glass Co. v. *Schmertz Wire Glass Co.*, 226 Fed. 730 17
Westinghouse v. *Wagner Mfg. Co.*, 225 U. S. 604 ..12, 13, 14

STATUTES AND RULES.

Rule 38 Supreme Court Rules, Section 5 2
Section 4921, Revised Statutes 19

IN THE

SUPREME COURT OF THE UNITED STATES,

No. 767 and No. 768.

OCTOBER TERM 1935.

DUPLATE CORPORATION AND PITTSBURGH PLATE GLASS COMPANY,
Petitioners,

v.

TRIPLEX SAFETY GLASS COMPANY OF NORTH AMERICA,
Respondent.

BRIEF FOR THE RESPONDENT IN OPPOSITION TO THE PETITION FOR WRITS OF CERTIORARI.

Correction in the Petition.

On page 1 of the petition, it is stated that the account is for the infringement of a "patent covering a process". This is inaccurate. The only claim involved in the litigation is for the product "laminated glass". The distinction between an accounting for the infringement of a *product* as distinguished from a process is important, and should not be lost sight of.

The Supplemental Consent Decree (R. 40) was based on a Supplemental Bill of Complaint (R. 24). The whole theory of the Supplemental Bill and Supplemental Decree is to hold Pittsburgh Plate Glass Company as the *alter ego* of Duplate Corporation and to hold Pittsburgh Plate Glass Company as directly responsible for the infringement which is the subject of this accounting proceeding (R. 1052).

Argument

The Petition requests this court to review the decree of the United States Circuit Court of Appeals for the Third Circuit. That court decreed that the District Court for the Western Disrict of Pennsylvania had committed errors of law in stating a patent account and remanded the case to the District Court with instructions that the District Court restate the account in accordance with the law of the case as settled by the opinion of the Third Circuit Court of Appeals (*Pittsburgh Plate Glass Co.* v. *Triplex Safety Glass Company of North America*) (R. 1152).

There is presented to this Court, therefore, the ordinary patent accounting between private parties. The only issues presented are whether specific claimed sums are properly chargeable as costs or allowances against profits in a patent account. No special or important reason is presented in the petition why the extraordinary remedy of a writ of certiorari should issue in the instant case.

There is no conflict between the decision of the Third Circuit Court of Appeals and any decision of the Supreme Court of the United States.

There is no conflict between the decision of the Third Circuit Court of Appeals and the decisions of any other United States Circuit Court of Appeals on the particular points involved in this case.

The decision of the Third Circuit Court of Appeals does not depart from the rules governing the determination of the issues involved in this case.

There is presented by the petition no question of importance to the public.

Section 5 of Rule 38 of the Supreme Court of the United States.

Forsyth v. *Hammond*, 166 U. S. 506, 514. (April 19, 1897, Justice Brewer).

I.

The Cost of Manufacturing Defective Product.

The terms "wastage" and "factory operating losses", as used in the Petition and brief in support thereof, are misleading unless accurately defined. Those terms must be read as being synonymous with "defective product" because, whenever throughout this litigation the terms "wastage", "factory operating loss" "rejects" and "returns" were used, either by the parties, the Master, the District Court, or the Circuit Court of Appeals, they were intended to mean defective product, which was either "rejected" in petitioner's factory, or "returned" by the customer. (R. 1017-1021; 1105; 1157).

All other "wastage" and "factory operating losses" which the petitioner was able to prove was allowed as an item of expense in the account. Accordingly, therefore, in this brief, we shall use the term "defective product" in referring to this item.

The Ruling. The first point raised by the Petition and argued in the brief in support thereof, is that the Third Circuit Court of Appeals refused to allow the petitioner to include in its cost of manufacture, the cost of manufacturing such of its product as had not been sold because it was defective, or, if it had been delivered to a customer, was returned for the same reason (R. 1157).

That precise point was decided by the Supreme Court of the United States in *Crosby Steam Gage & Valve Co.* v. *Consolidated Safety Valve Co.*, 141 U. S. 441, 454 (November 2, 1891, Justice Blatchford). There the Supreme Court, after a review of its own decisions, and the decisions of other Federal Appellate Courts, holds that a claim for the allowance of the cost of making defective product is not permissible in a patent infringement account, saying that the only subject of inquiry is the profit made by the infringer

on the articles it sold at a profit and for which it received payment, and that such losses incurred by the infringer through its wrongful invasion of the patent are not chargeable against the owner of the patent nor can their amount be deducted from the compensation which the owner of the patent is entitled to receive.

The attempt on the part of petitioner to limit the scope of the *Crosby* holding to the cost of making experiments is in disregard of the plain and unmistakable language of the Court.

The same principle is enunciated in *Callaghan* v. *Myers*, 128 U. S. 617 (December 17, 1888, Mr. Justice Blatchford). In this case the defendant was not permitted to charge the cost of producing copies of the infringing *book* which it did not sell.

Ever since the Supreme Court made its pronouncement in the *Crosby Case*, that case has been considered as enunciating the principle of law to be followed in subsequent accounting cases. The Third Circuit Court of Appeals in the instant case has followed the holding of that decision.

So far as counsel has been able to find after diligent search, no United States Circuit Court of Appeals has departed from the decision in the *Crosby Case*. But on the contrary both the United States Circuits Courts of Appeals and the District Courts have consistently followed the principle enunciated in the *Crosby* and *Callaghan* cases.

In *McKee Glass Co.* v. *H. C. Fry Glass Co.*, 248 Fed. 125 (C. C. A. 3rd Jan. 29, 1918, Woolley, C. J.) at page 128, it is held that the infringer's contention that the plaintiff was entitled only to net profits after deducting the losses on some sales from the profits on others, was not tenable for the reason that losses incurred by an infringer through its wrongful invasion of plaintiff's patent are not chargeable to the plaintiff, citing the *Crosby Case*.

In *Permutit* v. *Refinite Co.*, 27 F. (2d) 695 (C. C. A. 2nd, July 9, 1928, L. Hand, C. J.) at page 698 the holding is

that a plaintiff has the right of taking into account only profitable sales and ignoring the unprofitable sales.

In *Oil Well Improvements Co.* v. *Acme Foundry & Match Co.*, 31 F. (2d) 898 (C. C. A. 8th, March 19, 1929, Stone, C. J.) at page 900 the holding is that the manufacturing cost of infringing devices on hand, at the end of the infringing period, less their junk value, cannot be deducted from profits on devices sold by the infringer.

The Asserted Conflict: In spite of the petitioner's reckless manner of citing cases as standing for propositions of law that it is impossible to find therein, we confidently assert that no case of any Circuit Court of Appeals of the United States will be found in conflict with the decision in the *Crosby* case, and therefore of course in conflict with the holding of the Third Circuit Court of Appeals in the instant case.

As we shall now show the citations made in petitioner's brief in no way appertain to the question decided in the instant case by the Circuit Court of Appeals for the Third Circuit, and therefore in no way conflict with that decision or the decision of this court in the *Crosby* case.

In *Permutit Co.* v. *Refinite*, 27 F. (2d) 695, at the cited page 697, the discussion relates (1) to whether advertising expenses should be allowed as a deduction; (2) to deferred selling expenses; (3) to a situation where the infringer was obligated, under a guaranty contract, to return the whole or some part of the purchase price paid by his customer, the Court holding that the infringing accountant is entitled to an allowance for so much of the purchase price as the infringing accountant has returned to the purchaser. In the instant case, all credits for returned goods were duly and properly given the infringing accountant by striking from the account the entire purchase price.

In *Stromberg Motor Devices Co.* v. *Zenith Detroit Co.*, 73 F. (2d) 62, at the cited pages 64-65, the discussion relates to (1) whether some of the alleged infringements fall within the claim of the patent sued on; (2) whether the patent sued

upon gave the entire salable value to the infringements; (3) whether where a patent gives the entire value to the combination the owner of the patent is entitled to recover all the profits; (4) whether an infringer is entitled to a deduction for interest on invested capital; (5) whether an appellant is entitled to argue a point not assigned as error; (6) whether Federal income taxes are properly deductible; (7) whether an infringer is entitled to a deduction for an amount paid its president, under an agreement which entitled him to a stated salary, plus percentage of the profits; (8) whether royalties paid to a third party under patents covering improvements in the infringed product are properly deductible.

In *Levin Bros.* v. *Davis Mfg. Co.*, 72 F. (2d) 163, at the cited pages 165, 166, the discussion relates to (1) overhead, obviously referring to administrative overhead; (2) a general definition of the term "profit" as that term is affected by overhead; (3) which party should pay the costs incident to the account.

In *Wallace & Tiernan Co.* v. *Syracuse*, 45 F. (2d) 693, at the cited page 695, the discussion relates to (1) whether the evidence in the case was sufficient to establish a fixed royalty; (2) whether the evidence with respect to lost sales was sufficient to base a recovery on that measure of damage; (3) whether on a patent covering a building operation, the patentee is entitled to recover all the profits or only so much thereof as his patent contributed thereto; (4) the right of the court to award treble damages.

In *Stromberg Motor Devices* v. *Detroit Trust Co.*, 44 F. (2d) 958, at the cited pages 963, 964, the discussion relates to (1) whether royalties paid to a third party for a patent which is included in the infringed article are properly deductible; (2) whether the salary and commissions paid the president of the infringer is properly deductible; (3) whether interest on investment is properly deductible; (4) whether the profits as found should be augmented by the item "good-will".

In *Oil Well Improvements Co.* v. *Acme Foundry & Machine Co.*, 31 F. (2d) 898, at the cited page 900, the discussion is as to whether an infringer is entitled to charge into his cost, the manufacturing cost of making goods which were left on his hands at the end of the infringing period. The holding is that he is not, citing the *Crosby* Case, as authority therefor.

In *L. P. Larson Jr. Co.* v. *Wm. Wrigley Jr. Co.*, 20 F. (2d) 830, at the cited pages 832, 834, the discussion relates to (1) whether the owner of the brand "Doublemint" is entitled to recover all the profits for the defendant's unfair competition, even though the basis of the award might permit recovery of a larger sum than would likely have been the net profits of the injured party. The holding is that the basis of the award would not be disturbed. (2) Whether amounts spent for advertising are properly deductible. (3) Whether federal income and profits taxes are properly deductible.

In *Union Elec. Welding Co.* v. *Curry*, 279 Fed. 465, at the cited page 467, the discussion relates to the propriety of offsetting the losses made in one year against the profit made in a subsequent year. The case cites with approval the *Crosby* Case, *supra.*

It ought not to be necessary to digest the cases in the Third Circuit Court of Appeals, viz., *Continuous Glass Press Co.* v. *Schmertz Wire Glass Co.*, 219 Fed. 199, and *MacBeth Evans Glass Co.* v. *L. E. Smith Glass Co.*, 23 F. (2d) 459, because both those cases were specifically called to the attention of the Third Circuit Court of appeals and they were clearly not overlooked. It is to be presumed that the Third Circuit Court of Appeals in deciding the instant case, knew the scope and extent of its decisions in the *Continuous Glass* Case and the *MacBeth Evans* Case.

It is important to note, however, that in the *MacBeth Evans* Case, supra, the question did arise as to whether an infringer could charge into his account as a part of his cost, the cost of making some lenses that were unsold. The

Court refused to allow such a charge after explaining its decision in the *Continuous Glass* Case, citing with approval *Callaghan* v. *Myers* and the *Crosby* Case, *supra*.

Accordingly, the citations in petitioner's argument under this point do not disclose any conflict between the Third Circuit Court of Appeals in the instant case, and the decisions of this Court, or the decision of any other Circuit Court of Appeals of the United States.

II.

Whether Thin Plate Glass May be Charged in the Account at Cost or Market Value.

The Ruling. The second point raised in the Petition and argued in the brief in support thereof relates to the conclusion of the Third Circuit Court of Appeals that in view of the fact situation peculiar to the instant case, the Pittsburgh Plate Glass Company could charge only the actual manufacturing cost of the one-eighth inch plate glass that it incorporated in the infringing product, laminated glass.

Obviously a conclusion of law predicated upon a particular factual situation can not fairly be said to be in conflict with another conclusion of law predicated upon an entirely different factual situation. Three separate forums and five individual judges have rendered five separate opinions (R., 1052, 1095, 1006, 1102, 1152) on this point, all of which are in agreement that the conclusion reached by the Third Circuit Court of Appeals is necessary and inevitable in view of the facts presented.

It is a truism that there are few, if any, absolutes in the law. "It is idle, therefore, to say that any hard and fast rule can be made applicable to all cases where profits are to be accounted for. The court and the accounting officer will consider each case in the light of its own peculiar char-

acteristics and deal with it practically and in a common sense manner."

Conroy v. *Penn. Electrical Mfg. Co.*, 199 Fed. 427, 429 (C. C. A. 3rd, October 11, 1912, Witmer, D. J.);

Armstrong v. *Belding Bros. & Co.*, 297 Fed. 728, 732 (C. C. A. 2nd, Feb. 4, 1924, Hough, C. J.; certiorari denied 265 U. S. 585);

Levin Bros. v. *Davis Mfg. Co.*, 72 F. (2d) 163, 165 (C. C. A. 8th, July 5, 1934, Stone, C. J.).

It is also idle to say that the Third Circuit Court of Appeals has laid down a hard and fast rule of patent accounting that only the manufacturing cost of a raw material that goes into the infringement may be charged in the account. All that it has done is to refuse to disregard the facts as found by the District Court and the Master and has applied the appropriate rule to those facts.

The factual situation referred to by the Third Circuit Court of Appeals as being present in the instant case is:

1. That Pittsburgh Plate Glass Company with full knowledge of the patent accomplished its infringement through its creature Duplate, which was formed for the express purpose of infringing this patent (R., 24-40; 1007);

2. That there was no market and therefore no market value for the sale of one-eighth inch plate glass to the automobile industry (R., 1055);

3. Laminated glass displaced the heavier grades of plate glass in automobile construction (R., 1055);

4. That respondent by its own efforts and at substantial expense had, at the time the infringement began, established a market for laminated glass (R., 1041; 1047);

5. If Pittsburgh Plate Glass Company had not infringed the patent in suit, it would not only have failed to sell one-eighth inch plate glass to the automobile industry, except to this respondent or its licensees, but would also have lost the sale of heavier plate glass which laminated glass displaced (R., 1057);

6. That the plate glass manufactured by it for incorporation in the infringing device represented just so much that it would not otherwise have sold, and returned a profit which it would not have made save for the infringement (R., 1058);

7. That Pittsburgh Plate Glass Company carried on a cut price policy in competition with respondent, the effect of which was to drive the respondent out of the laminated glass business (R., 1042);

8. That to permit Pittsburgh Plate Glass Company to charge in this account, the billing price for one-eighth inch plate glass to its *alter ego,* Duplate, would have the effect of allowing the infringer to retain all the profit it made on the sale of the infringing product, thereby defeating the very purpose of the patent laws (R., 1059);

9. That the market for one-eighth inch plate glass was created by the Pittsburgh Plate Glass Company's infringement, since it would not have sold one foot of one-eighth inch plate glass to the automobile industry except for its infringement (R., 1061).

The Asserted Conflict. Based on those facts, and the "practicability and reasonableness of the results", the Master (R., 1009, 1063), the trial court (R., 1098) and the Third Circuit Court of Appeals (R., 1165) have concluded that the rule of law applicable to this case is that announced in——

> *Armstrong* v. *Belding,* 297 Fed. 728, 732 (C. C. A. 2nd, Feb. 4, 1924, Hough, C. J.; certiorari denied 265 U. S. 585).

That case involved a patent on a holder for skein silk. Defendant enclosed in the patented holder some skein silk, an article of commerce (having an old and established market value) manufactured by it. The court, rejecting defendant's contention, held that it was not entitled to charge in its account the market value of the skein silk sold in the infringing holder (R., 1061) because of the peculiar facts there present, stated at page 732:

"What created the demand so supplied was not the desirability of the old silk but that of the new holder, and the language quoted above from the *Vandenburgh* Case is wholly applicable; defendant would not have sold a pound of holder silk had it not availed itself of plaintiff's patent, therefore, it must pay the profit on all sales so made."

II-(A)

The Court of Appeals' Refusal to Apportion the Profits between the Infringing Patent and Patents Covering Apparatus for making Plate Glass.

The Ruling. The Third Circuit Court of Appeals has ruled that where the entire commercial value of a mechanism or product arises from the patent, the owner of the patent is entitled to recover from the infringer the total profits derived from the manufacture, use or sale of the mechanism or product (R., 1158).

This and this alone is the ruling that petitioner must show to be in conflict with the decisions of this Court or other Circuit Courts of Appeals.

The twenty-six patents owned by the petitioner were in no way related to the product, laminated glass, nor plate glass, nor to any operation in the manufacture of laminated glass. They covered details of apparatus which was used by Pittsburgh Plate Glass Company for the manufacture of plate glass, some of one size of which was used by it in manufacturing laminated glass. The unpatented method of making plate glass by the use of this patented apparatus is referred to in the record as the "continuous process".

The petitioner would have the court compare the up-to-date facilities for making plate glass with the less efficient facilities of the past and, since those better facilities enabled it to more effectively infringe the patent in suit, because it could manufacture one of the raw materials at a lesser cost and also, of course, undersell the owner of the patent to such an extent as to drive it from the lami-

nated glass business, to conclude that the savings thereby effected out of the profits it made from the infringement should go to it. That is, Pittsburgh Plate Glass Company pockets the large profit accruing from its billing price to its *alter ego*, Duplate, the latter then fabricates the thin plate glass into the infringing product and delivers it back to its *alter ego*, Pittsburgh Plate Glass Company, the latter thereupon sells it far below Respondent's prices and far below what Pittsburgh Plate Glass Co. says is the cost. Surely an Equity Court can find some way to prevent such an injustice.

The Third Circuit Court of Appeals predicated its ruling on the fact that the sales value of the laminated glass was in no way enhanced by the fact that one of its component parts, thin plate glass, could be manufactured more cheaply by the use of the "continuous process" than without such process (R., 1158).

It is to be presumed that the Third Circuit Court of Appeals also had in mind its opinion on the prior appeal (42 F. (2d) 739) in which Judge Buffington found that the patent in suit is a pioneer patent and also the opinion of Judge Schoonmaker (42 F. (2d) 737) wherein Judge Schoonmaker found that we are dealing here with a new article of manufacture, never before the issuance of the Benedictus patent in suit known to the glass, automobile or any other industry.

We confidently assert that the ruling of the Third Circuit Court of Appeals in this respect is not only in harmony with the decisions of this Court, but that no decision of any Circuit Court of Appeals will be found making a contrary ruling.

Some of the decisions of this Court and of Circuit Courts of Appeals in harmony with the ruling in the instant case are:

Westinghouse v. *Wagner Mfg. Co.*, 225 U. S. 604, 614 (June 7, 1912, Justice Lamar);

Crosby Valve v. *Safety Valve*, supra;

Manufacturing Co. v. *Cowing*, 105 U. S. 253, 255 (October 1881, Chief Justice Waite);

Carborundum Co. v. *Electric Smelting Co.*, 203 Fed. 976, 981 (C. C. A. 3rd, March 15, 1915, Bradford, D. J.);

Conroy v. *Penn. Elec. & Mfg. Co.*, 199 Fed. 427 (C. C. A. 3rd, October 11, 1912, Witmer, D. J.);

Computing Scale Co. v. *Toledo Computing Scale Co.*, 279 Fed. 648, 677 (C. C. A. 7th, October 4, 1921, Baker C. J.);

Wales v. *Waterbury*, 101 Fed. 126, 129 (C. C. A. 2nd, Feb. 28, 1900, Wallace, C. J.).

The Asserted Conflict: Here again the petitioner in its brief aims wide of the mark in its citations. In the two *Stromberg* cases cited in petitioner's brief, the patent in suit did not cover a unitary carburetor structure but only a particular improvement in a carburetor. The infringer paid royalties on another patented improvement which was incorporated in the infringing carburetor and which enhanced its salable value. The Court concluded that the royalties paid were an expense chargeable against the infringing business.

These *Stromberg* cases fall within the purview of Rule (d) stated in page 614 of *Westinghouse* v. *Wagner*, supra. That rule has its proper place in the law of patent accounting and no one has ever disputed it. But the Third Circuit Court of Appeals in the instant case has found that the twenty-six patents for apparatus to make plate glass contributed nothing to the profits derived from the sale of laminated glass and concludes that the instant case falls within Rule (b) of the *Westinghouse* Case, supra. To say that cases like the *Stromberg* cases, conflict with the decision of the Third Circuit Court of Appeals in the instant case is to say that this Court in the *Westinghouse* case, supra, enunciated conflicting rules. This of course is obviously ridiculous.

Again at page 31 of the petitioner's brief, the argument is made that if the *Westinghouse* Case is applicable to the instant case, then the *Westinghouse* Case is in conflict with

the decision in *Cincinnati Car Co.* v. *New York Rapid Transit Corp.*, 66 F. (2d) 592, 593, 594. Disregarding the impropriety of such an argument, let us examine the *Cincinnati* Case, supra, to determine what was involved.

The patent there involved was for a vestibule between cars in what is called an "articulated train", that is, the adjacent ends of each car on the train are carried by a single truck, thus avoiding the need of two trucks for each car. (35 F. (2d) 679). The question involved in the *Cincinnati* Case, supra, was whether on a finding of infringement of such a patent, the infringer was liable for (1) all the profits of the railroad; or (2) all the profits arising from the use of articulated cars. The holding is that there was no way of showing how much the infringing patent contributed to the profits of the railroad, and therefore the patentee was relegated to a recovery on the basis of a reasonable royalty.

Certainly, Judge Learned Hand did not intend or expect that an intelligent reading of his opinion in the *Cincinnati* Case would lead to the conclusion that he was in disagreement with this court, or that this court had laid down a rule of law that is of impracticable application.

As we read the *Cincinnati* opinion, Judge Hand merely points out the difficulties that are often attendant upon the application of the ruling relating to the burden of proof, using a nice figure of speech to emphasize the point, but recognizing, however, that such difficulties must and always are resolved by the proper forum. For example, Judge Hand resolves the difficulties in the *Cincinnati* Case. What was "left at large" in the *Westinghouse* Case (i. e., whether the entire salable value is attributable to the patent in suit) has been resolved in the instant case in favor of the patent in suit by the Third Circuit Court of Appeals. That Court and not this Court is where that difficult question must be resolved.

III.

Method of Stating the Account.

The Ruling: The Third Circuit Court of Appeals holds that "proper accounting procedure" requires that, where the infringement of a product claim is being accounted for, each sale constitutes a separate infringement; that the profit derived from each sale must be accounted for and turned over to the owner of the patent; and that if some sales resulted in losses, the infringer must bear the losses and may not offset the loss-incurring sales against the profitable sales (R. 1155).

This ruling of the Third Circuit Court of Appeals is fundamental in all patent accountings.

Crosby Valve Co. v. *Safety Valve Co.*, supra.
Callaghan v. *Myers*, supra.
McKee Glass Co. v. *Fry Glass Co.*, supra.
Permutit Co. v. *Refinite*, supra.

The above cited cases of this Court and of some Circuit Courts of Appeals which might be accumulated almost indefinitely, have been accepted as a guide for the various District Courts, one example of which is that cited by the Third Circuit Court of Appeals—*Electrical Engineers Equip. Co.* v. *Champion Switch Co.*, 49 F. (2d) 359 (D. C. W. D. N. Y. February 10, 1931, Hazel, D. J.) where it was held that losses incurred by the infringer from the sale of the infringing article below cost are not deductible from the profits found to be due the patentee.

The petitioner, at page 32 of his argument confuses the ruling of the Third Circuit Court of Appeals with the findings of fact as they were found by the Master and the District Court and accepted by the Third Circuit Court of Appeals.

Adopting the assumption of the Petitioner's argument that this Court will be interested in a discussion of these

facts, we find—the Master and the District Court found that the infringer in the instant case was engaged in a regular and continuous business during the period in which it made the infringing sales (R. 1105). The question therefore is whether that finding distinguishes the instant case from the rule of law announced in the cases cited above. The Third Circuit Court of Appeals said it did not.

We respectfully submit that the regularity and continuity of the business of the infringer in this case was in no degree different from the regularity and continuity of the business involved in the *Crosby* and *Callaghan* and other cases cited above.

The same practical problem that confronted the Master and the District Court in the instant case, confronted this Court and the other Courts in the cases cited above. No infringer usually engages in a business that is not regular and continuous, nor was there ever a cost accounting system which was able to ascertain "specific costs" in the sense of that term as used by the Master. It is elementary that every cost accounting system that was ever devised averages over all units, the labor, the material and the overhead elements of cost.

The determination of the average monthly cost per square foot of laminated glass and the offsetting of that monthly average cost against the selling price per square foot, for which it was sold, is the identical manner in which the defendant itself, in keeping its books, ascertained its profits and losses. (R. 137; R. Vol. IV. 11, R. 1025; 1026.)

The four reasons stated by the Master (R. 1026-1027) as to why in this particular instance average costs do not reflect specific costs, are present in every business.

The difference in the amount or quality of material used in fabricating each unit, does not differ any more substantially in the instant case than in most other cases.

The cutting losses or other losses in processing are seldom equal in any business.

We believe due credit was given for Edgework and if it was not, the failure to do so rests upon the petitioner in this case, on whom the burden of showing its cost rested.

All fabricated articles require a template, a pattern, a die or a drawing, each of which serves its purpose as well for a thousand as it does for ten.

Accordingly, the infringing business in the instant case does not differ in any of the elements of costs from other businesses which have been the subject of patent infringement accounts, and in which the Courts have held that the method directed to be followed by the Third Circuit Court of Appeals is the correct method.

The Third Circuit Court of Appeals says:

> "We do not find any substantial factors in the instant case on this issue which differentiate it from the cited cases". (R. 1156, 1157).

The Asserted conflict: We regret the necessity of again pointing out that the cases cited by the petitioner in two instances, do not hold that a "continuous" manufacture of an infringing product may, under some circumstances, be treated as a single continuous infringement, but on the contrary, in one of the cases cited the court expressly disapproved of such a method of stating the account.

In *Western Glass Co.* v. *Schmertz Wire Glass Co.*, 226 Fed. 730 at the cited page 732, there is set forth only a "statement of the case" in which no point relating to the continuity of the business is referred to and at the cited page 734 the discussion relates to the separation of non-infringing sales from infringing sales, when such separation is possible.

In *MacBeth Evans Glass Co.* v. *L. E. Smith Glass Co.*, 23 F. (2d) 459, the Third Circuit Court of Appeals does discuss the method of stating a patent account and there expressly disapproves a method which stated the account as if the infringer's conduct constituted one "continuous infringement". At page 462 of the opinion, the court,

after pointing out the well recognized distinction between an account for the infringement of a process patent and an account for the infringement of a product patent says:

> "The infringing accountant disclosed its infringement as one continuous operation. Whether this was the proper way to start and conduct an accounting was a matter with which this Court was then not concerned for it was accepted by everyone, *although it did venture an adverse comment on the method pursued*". (Italics ours).

In the *MacBeth Evans* Case the accounting infringer attempted to charge into his costs, the cost of making unsold lenses, thus reducing the profit on the sold lenses. The Third Circuit Court of Appeals refused to permit such a charge.

As to the opinion of the District Court in *MacBeth Evans* v. *L. E. Smith Class Co.*, 21 F. (2d) 553, 555, it rested on a misconception of the holding of this Court in the *Crosby* Case, supra, and the holding of the Third Circuit Court of Appeals in *Continuous Glass Press Co.* v. *Schmertz Wire Glass Co.* supra. The Third Circuit Court of Appeals calls attention to the District Court's misconception of these decisions at page 461 of 23 F. (2d).

It is respectfully submitted that the cases cited by petitioner show no conflict either with the decisions of this Court or with the decisions of any other Circuit Courts of Appeal.

IV.

General Damages.

The Ruling: The Third Circuit Court of Appeals has ruled that a patent owner in an infringement suit is not charged with the burden of proving that his damage "is *not* susceptible of calculation and determination with reasonable certainty" (R., 1163).

It is respectfully submitted that to impose such a burden on the plaintiff in a patent infringement account would defeat the whole purpose of the Patent Laws. How could any plaintiff ever hope to prove such a negative?

We submit, further, it is unfair to garble the words of Section 4921 of the Revised Statutes of the United States in the way petitioner has done it at page 37 of its argument. By the omission of whole phrases and by an abuse of the asterisk, thereby crediting subjects to verbs that are not their subjects at all, the petitioner has completely distorted the intent of the Act of Congress, nor should such a method of distorting the intended meaning of Section 4921 be excused because the entire section is set forth in an appendix.

The purpose of the amendment to Section 4921 of the Revised Statutes, inserted in 1922, was solely to enact into the statute the discretionary power in the court to accept opinion or expert testimony on the question of the patent owner's damage and to declare such testimony competent. This right had been declared by this Court long before 1922.

> *Dowagiac Mfg. Co.* v. *Minnesota,* 235 U. S. 641 (January 11, 1915, Justice Van Deventer).

It had also been declared by the Third Circuit Court of Appeals and other Circuit Courts of Appeals long before 1922.

> *Bemis Car Co.* v. *J. G. Brill,* 200 F. 749, 761 (C. C. A. 3rd, November 7, 1912, Buffington, C. J.);
>
> *U. S. Frumentum Co.* v. *Lauhoff,* 216 F. 610, 617 (C. C. A. 6th, June 30, 1914, Denison, C. J.).

The petitioner also argues that because it was not permitted to examine Respondent's books, it was deprived of the right to show that the respondent had suffered only "small" damage and that if it had been accorded that right and if it could have shown, in the exercise of that right,

that respondent lost a profit of only One Dollar on a single sale, the respondent should have been relegated to the recovery of only that amount, that is, to the recovery of only such "small" damage as it, the petitioner, might see fit to prove.

We submit the argument carries its own refutation. Particularly is this so, in the instant case, when we consider that the Master has found the facts to be that respondent had an investment in its laminated glass business of more than $2,800,000 (R., 1047) which was destroyed because of the petitioner's cut-price policy, which substantially drove the respondent out of the laminated glass business (R., 1042).

Certainly the argument of petitioner is not supported by the authoritative decisions of this court as enunciated in the cases cited above, nor in the decisions of the Circuit Courts of Appeals cited above.

The Asserted Conflict: If *Wallace & Tiernan* v. *Syracuse*, 49 F. (2d) 693 (C. C. A. 2nd, L. Hand) at the cited pages 694, 695, does stand for the proposition that it is a statutory condition precedent to an award of general damages (reasonable royalty) that the plaintiff must show that his actual damages "be not susceptible of calculation and determination with reasonable certainty", then as the Third Circuit Court of Appeals has said (R., 1163), that decision must either be confined to the special facts present in the *Wallace & Tiernan* Case, or else it is in conflict not only with the decisions of this Court but the decision of the same Judge in *Cincinnati Car Co.* v. *New York Rapid Transit Corp.*, 66 F. (2d) 592 (C. C. A. 2nd, L. Hand).

By no intelligent reading of the other authorities cited on page 38 of petitioner's argument can any of them be said to rule that "it is a statutory condition precedent to an award of general damages (reasonable royalty) that actual damages be not susceptible of calculation and determination with reasonable certainty".

Overman Cushion Tire Co. v. *Goodyear Tire & Rubber Co.*, 66 F. (2d) 361 (C. C. A. 2nd, July 17, 1933, Manton, C. J.), must have been cited for the reason that the Circuit Judge cites *Wallace & Tiernan Co.* v. *Syracuse, supra,* as being a holding that the award in the *Wallace & Tiernan* Case was for a reasonable royalty "because the exact amount of damages could not be proved."

Alliance Securities Co. v. *De Vilbliss Mfg. Co.*, 76 F. (2d) 503 (C. C. A. 6th, April 12, 1935, Moorman, C. J.) at the cited page 505 holds that since the patent owner was in no position to prove lost sales as the measure of damages for infringement "the case is one for the application of the reasonable royalty rule", citing the *Dowagiac* Case, supra.

The rest of the discussion at the cited page 505 relates solely to the question as to whether seven licenses granted over a period of five years under the patents in suit constituted some evidence as to the reasonable royalty value which could be attributed to the patent in suit.

Enterprise Ry. Equipment Co. v. *Wine Ry. Appliance Co.*, 77 F. (2d) 159 (C. C. A. 6th May 14, 1935, Moorman, C. J.), at the cited page 161, simply holds that since in that case the profits derived by the infringer from its infringement had been determined, there was no necessity to go into the question of whether a royalty should be awarded.

It is incomprehensible how any one can spell out of the citations of Petitioner a holding that it is a condition precedent to an award of general damages (reasonable royalty) that actual damages be not susceptible of calculation and determination with reasonable certainty.

V.

Interest.

The Ruling: The Third Circuit Court of Appeals on this point ruled that "since the case is one in equity, the matter of interest is one within the court's discretion".

We respectfully submit that the ruling of the Third Circuit Court of Appeals is fundamental in the Federal Courts.

Bates v. *Dresser,* 251 U. S. 524, 531 (March 1, 1920, Mr. Justice Holmes).

Miller v. *Robertson,* 266 U. S. 243, 256, 257, 258 (November 17, 1924, Justice Butler).

These two cases were not patent cases but a patent case is only a tort and the rule of law does not differentiate a patent case from that upon any other tort.

In *Miller* v. *Robertson,* above, this Court held—"When necessary in order to arrive at fair compensation, the Court in the exercise of a sound discretion may include interest or its equivalent as an element of damages", and thereupon imposed interest from a date prior to the liquidation of the damages.

Starr Piano Co. v. *Auto Pneumatic Action Co.,* 12 F. (2d) 586, 587 (C. C. A. 7th March 10, 1926, Page, C. J.).

Merrell Soule Co. v. *Powdered Milk Co.,* 7 F. (2d) 297, 300.

Since interest is in the discretion of the court, that discretion must be left to the court which having knowledge of the facts is in possession of something on which to base its judgment and exercise the discretion. That court is the District Court.

The Third Circuit Court of Appeals in this case after a review of the record has found "nothing in the record on which to base a ruling that the District Court abused its discretion". (R. 1166).

CONCLUSION.

It is respectfully submitted that the petitioner has been unable to point to any conflict either with the decisions of this Court or between the various Circuit Courts of Appeals and therefore the respondent prays that the Petition be denied.

Dated March 11, 1936.

Respectfully submitted,

AMBROSE L. O'SHEA,
WILLIAM B. GREELEY,
DRURY W. COOPER,
Counsel for Respondent.